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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Federal-State Joint Board	)	CC Docket No. 96-45
on Universal Service	)	
	)	

To: The Federal-State Joint Board

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SUPPLEMENTAL COMMENTS OF THE COMPETITIVE TELECOMMUNICATIONS ASSOCIATION

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SUMMARY

In these supplemental comments, CompTel will address the issues raised in the Public Notice,[1] and will focus on the questions that are most pertinent to developing an explicit, competitively neutral universal service mechanism. In its initial and reply comments, CompTel noted that the 1996 Act requires the Joint Board to critically examine the existing universal service policies -- without any preconditions -- and develop mechanisms that are appropriate in a competitive environment. By reforming universal service, the Joint Board has a unique opportunity to contribute to evolution of a competitive telecommunications environment. CompTel urges the Joint Board to institute a few bold measures, including: (1) instituting a single federal Universal Service Fund to which all telecommunications carriers would contribute based upon both the interstate and intrastate revenues; (2) ensuring that funds to support universal service are collected in a competitively neutral manner; (3) moving quickly to eliminate existing cross-subsidies; and (4) making universal service support available to all carriers that satisfy Section 214(e)'s definition of an "eligible telecommunications carrier."

In response to Question 1, CompTel maintains that the Joint Board may not assume that current rates are the appropriate rates, but it may assume they are no <u>higher</u> than what is affordable. Existing rates for local telecommunications services appear to be artificially low in some rural areas as result of outdated cross-subsidies by a monolithic local service monopoly. Congress clearly mandated the end to that system, requiring that rural service be priced at rates comparable to urban rates.

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[1] *Common Carrier Bureau Seeks Further Comment on Specific Questions in Universal Service Notice of Proposed Rulemaking*, CC Docket 96-45 (rel. July 3, 1996) (hereinafter "Public Notice").

In response to Question 2, CompTel urges the Joint Board to recognize that non rate factors are not relevant to establishing the amount of a rural/high cost subsidy, because "affordability" is a national concept that focuses solely on carrier costs. On the other hand, non-rate factors such as those listed in the Public Notice may be relevant to the low-income subsidy because cost of living is a legitimate concern in determining eligibility.

In response to Question 3, CompTel advocates strongly the use of a specific national benchmark when making the "affordability" determination.

In response to Question 4, CompTel urges the Joint Board to make clear that a carrier may not be denied universal service support simply because, for technical and economic reasons, it is not feasible for it to provide service through facilities wholly independent from those of an ILEC. That is, carriers for whom the only feasible way of providing local service is through the purchase -- at cost -- of ILEC facilities or services should be eligible for universal service support. The concern raised in the question -- that a service is not feasible for some carriers -- would never be the case, if, but only if, the ILEC makes available to other carriers <u>all</u> functionalities in its network and <u>all</u> services it offers.

In response to Question 5, CompTel asserts that universal service should subsidize access to core services, but not the cost of providing the service itself. Therefore, if the only costs of providing <u>access</u> to services like directory assistance are considered, rather than the cost of directory assistance itself, then including such ancillary services within the "core" definition should not add any incremental cost to the Universal Service Fund. Access to such services is provided by the loop itself; the cost of the loop does not vary according to the services the end user connects through the loop.

In response to Question 26 (modifications to the high cost fund), CompTel notes that the 1996 Act mandates that universal service mechanisms be "specific, predictable and sufficient" and that all telecommunications providers bear the burden of universal service support on an "equitable and nondiscriminatory" basis. In order to meet these requirements, existing high-cost support mechanisms should be reformed as follows: (1) the Joint Board must immediately eliminate all implicit subsidies, including the Carrier Common Line Charge; (2) the Joint Board must mandate funding mechanisms that, in addition to being explicit, distribute the responsibility to support universal service among all telecommunications service providers on a competitively neutral basis; and (3) universal service reform must be implemented without any delay or unnecessary transition.

In response to Question 27, CompTel maintains that special subsidy programs for rural areas that do not fit into the overall scheme of a reformed Universal Service Fund would thwart Congress' goal of local competition where feasible. The Joint Board should not maintain subsidies for rural areas that generate rates for rural service that are lower than the rates for comparable service in high-density, low-cost urban areas.

In response to Question 28, CompTel advocates use of a proxy model that applies universally to all carriers. However, CompTel does not support the use of book costs in calculating the cost of universal service. Costs should be forward looking.

In response to Question 69, CompTel urges the Joint Board to eliminate the Carrier Common Line charge in its entirety because it is impermissible under the 1996 Act. To the extent that revenues from the CCL might support universal service (for which there is no proof), it is an implicit subsidy and is not competitive neutral.

In response to Question 70, CompTel notes that significant economic literature supports the proposition that all loop costs are most efficiently recovered from the subscriber through a subscriber line charge ("SLC"). Recovering loop costs through the SLC will, on average, result in lower total phone bills.

In response to Question 71, CompTel recommends the reform and continuation of the Lifeline and Link Up programs. The Lifeline and Link Up programs should be funded through the new, explicit universal service surcharge that is imposed equally on all carriers, not as it is funded today. The Joint Board may set the level of the subsidy at any level it deems appropriate to make service "affordable", but should allow eligible consumers to apply this amount as a credit toward any telecommunications service of their choosing.

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To: The Federal-State Joint Board

SUPPLEMENTAL COMMENTS OF THE COMPETITIVE TELECOMMUNICATIONS ASSOCIATION

The Competitive Telecommunications Association ("CompTel"), by its attorneys, respectfully submits the following additional comments in response to the Common Carrier Bureau's list of questions raising specific issues concerning universal service policies.

I. COMPTEL SUPPORTS NARROWLY-TARGETED AND COMPETITIVELY NEUTRAL UNIVERSAL SERVICE POLICIES

As the principal industry association of competitive telecommunications providers, CompTel strongly supports the Joint Board's effort to provide quality telecommunications to all Americans at reasonable prices. CompTel welcomes this opportunity to provide more input on the important issue of universal service. In these comments, CompTel will provide the Joint Board with an overview of its position on universal service, and then answer some of the questions enumerated in the Public Notice. In order to focus on issues that are of particular concern to CompTel, not all of the questions raised by the Joint Board are addressed herein.

In order to develop new universal service policies for a competitive environment, CompTel maintains that the Joint Board must define a specific set of "core" services to be subsidized. As CompTel noted in its initial comments, the critical function of universal service is to enable all Americans to obtain functional access to the public switched network.[2] The list of core services set forth in the *Notice* achieves this goal.[3]

Moreover, universal service serves two interrelated, but distinct, policy goals. First, universal service policies seek to maximize access to the network by identifying specific *areas* of the country with particularly high cost structures, and targets them for support. Second, universal service maximizes subscribership within an area (whether "high cost" or "low cost") by identifying particular *individuals* for whom service at the generally available rate is not "affordable." CompTel urges the Joint Board to distinguish between these two policies for purposes of determining the size of a Universal Service Fund. For rural and high-cost areas, the Joint Board should establish a target retail rate for the area without regard to factors unique to individual subscribers. The goal is to analyze the cost structure in a region to determine whether an area is eligible for support and the level of support to be provided. Low-income support, by contrast, is the "safety-net" for individuals in any area who want telephone service but cannot afford it. The Joint Board should employ established means-tested programs, such as Lifeline and Link Up, to make core services "affordable" for

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[2] CompTel Initial Comments at 5.

[3] *See Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, FCC 96-93, ¶ 16 (rel. Mar 8, 1996) (hereinafter "*Notice*"). The *Notice* proposed to include voice grade access to the public switched network, with the ability to place and receive calls, touch-tone, single party service, access to emergency services (911), and access to operator services among the services receiving universal service support. *Id.* The Joint Board should clarify that "access" to the public switched network includes equal access to IXCs. CompTel also agrees that number portability may be included among the core services to be supported. *See* CompTel Reply Comments at 4; AT&T Initial Comments at 12.

such individuals. Importantly CompTel emphasizes that in determining the size of the Universal Service Fund, the Joint Board must critically examine the existing universal service policies without assuming that either the mechanisms in place today or the current level of funding are appropriate in a competitive environment.

CompTel further asserts that the Joint Board must develop a single federal system to administer the Universal Service Fund, which would be funded based upon both the interstate and intrastate revenues of contributing carriers. In addition, a neutral administrator should be appointed to oversee the new fund. A single federal Universal Service Fund administrator would be able to play a crucial role in ensuring that competition develops nationally, for all subscribers, without skewing the development of competition in any market segments.

In funding the Universal Service Fund, CompTel maintains that the essential function of the Joint Board is to ensure that funds are collected in a competitively neutral manner. In its initial comments, CompTel proposed that the Joint Board establish a Universal Service Surcharge that would be assessed on revenues.[4] One form of a revenue-based surcharge would tax end user retail revenues. Alternatively, providers could be required to remit a percentage of their gross revenues, net of payments to other carriers. If such a charge is implemented, carrier-to-carrier surcharges, such as any Carrier Common Line Charges or a Residual Interconnection Charge, should be eliminated.[5]

CompTel urges the Joint Board to guard against incumbent providers' efforts to carve out special subsidies for themselves, to restrict the carriers that are eligible to receive universal service support, and to preserve today's inequitable system for a so-called

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[4] CompTel Initial Comments at 15.

[5] *See* CompTel Initial Comments at 15.

"transition" period. Such effects would continue to distort the development of true local service competition by continuing the insidious system of cross-subsidization that Congress clearly intended to eliminate.[6] *All* telecommunications service providers should be required to contribute to a Universal Service Fund, regardless of historic obligations or costs. Moreover, universal service support should be available to all carriers that satisfy Section 214(e)'s definition of an "eligible telecommunications carrier." Finally, a "flash cut" transaction will end the system of implicit subsidies that distorts competition and prevents telecommunications services from being priced at economically rational levels.

II. RESPONSES TO INDIVIDUAL QUESTIONS RAISED BY THE COMMON CARRIER BUREAU

In responding to the issues raised in the Public Notice, CompTel will focus on the questions that are most pertinent to developing an explicit, competitively neutral universal service mechanism. As requested in the Public Notice, questions are numbered as set forth in the Public Notice and are underlined for emphasis.

1. **Is it appropriate to assume that current rates for services included within the definition of universal service are affordable, despite variations among companies and service areas?**

Although it would be appropriate for the Joint Board to assume that current rates are not *higher* than what is "affordable", it should not assume that the current rate is the "affordable" rate. As CompTel showed in its initial comments, many small "rural" areas have basic telephone rates substantially below those of "low-cost" urban cities.[7] For example, a 1994 study by the Commission found that in Bell Atlantic territory, single line,

[6] *See* CompTel Initial Comments at 8.

[7] *See* CompTel Initial Comments at 13-15.

residential, touch-tone service was priced at an average of $21.90 per month in Washington, D.C., and $24.88 per month in Baltimore, Maryland, but only $14.73 per month in rural Ellwood City, Pennsylvania (pop. 9,900).[8] Similarly, U S West charged $21.55 per month in Minneapolis, Minnesota and $20.90 in Denver, Colorado, but only $15.85 in Logan, Utah (pop. 26,800) and $18.22 in Butte, Montana (pop. 37,200).[9] Such distortions in prices clearly do not reflect differences in economic costs, but are a by-product of outdated cross-subsidies by a monolithic local service monopoly. Congress clearly mandated the end to that system, and its replacement with a system where rural rates are "comparable" to urban rates. There is no statutory or economic rationale for artificially maintaining rates far below those available in densely-populated, low-cost urban areas. Therefore, regulators should expect and allow rates in rural areas to increase somewhat where they currently are not comparable to the rates paid by subscribers in urban areas.

2. <u>To what extent should non-rate factors, such as subscribership level, telephone expenditures as a percentage of income, cost of living, or local calling area size be considered in determining the affordability and reasonable comparability of rates?</u>

Here, it is important to distinguish between the two elements of a universal service policy. In the context of determining a rural/high cost subsidy, "affordability" is a national concept. The rural/high cost subsidy, as its name implies, focuses solely on carrier costs. Its goal is to segregate areas of the country based upon the cost of providing the core

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[8] CompTel Initial Comments at 13 (citing FCC, Industry Analysis Division, *Reference Book: Rates, Price Indexes, and Household Expenditures for Telephone Service*, at 99-100 (July 1994) (reporting October 1993 rates).

[9] *Id.*

services in a community. In order to accomplish this, a single national "affordability" benchmark should be established. Only areas with costs above the benchmark would then be eligible for a subsidy.

As a general rule, non rate factors such as those listed in the Public Notice should not play any role in identifying these areas, because they are not related to the cost of service. Subscribership, for instance, appears to vary from area to area for a variety of reasons, all of which concern the circumstances of individual subscribers, including poverty, unwillingness/inability to control telephone usage, mobility, and a desire for privacy.[10]

On the other hand, in determining what is "affordable" for purposes of low-income support, non-rate factors are appropriate considerations, particularly cost of living factors. The surrounding circumstances in which subscribers find themselves determine what is "affordable" to them. It is appropriate, therefore, to adjust the "affordability" threshold at the margins to account for variations in the cost of living of particular areas.

3. **<u>When making the "affordability" determination required by Section 254(i) of the Act, what are the advantages and disadvantages of using a specific national benchmark rate for core services in a proxy model?</u>**

Initially, Comptel notes that in order to determine the amount of a high-cost subsidy it is necessary to compare some measure of regional costs with a target level of costs at which service is affordable. CompTel agrees with a number of other commenters that a target retail <u>rate</u> may be used as this benchmark for "affordability". In additional, the use of a single, national benchmark (without variations by region) when making the "affordability" determination has several advantages. First, a national benchmark is significantly easier to

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[10] *See Preparation for Addressing Universal Service Issues: A Review of Current Interstate Support Mechanisms* 11-24, (issued Feb. 23, 1996).

administer because the Joint Board would not need to conduct hundreds of detailed rate cases for each carrier (incumbent and new entrant) claiming universal service support. Second, it is conducive to a multi-provider environment. No single carrier's rates or cost structure would be given preferential treatment under such a system. And third, using a proxy creates incentives for a carrier to be efficient and to upgrade outdated equipment because carriers would not receive subsidies as compensation for inefficient technology choices or excessive costs.

4. **What are the effects on competition if a carrier is denied universal service support because it is technically infeasible for that carrier to provide one or more of the core services?**

Initially, this question emphasizes the importance of properly defining the requirements of carrier eligibility under Section 214(e). For the near term, it will be economically infeasible (if not technically infeasible) for CLECs to construct networks that replicate the entire ILEC embedded network. As a result, CLECs will not provide service through entirely independent networks, and will have to either supplement their own facilities with facilities and services obtained from the ILECs or use such ILEC facilities and services exclusively in some areas.

Some ILECs have urged that in this situation, CLECs should be denied universal service support because CLECs are not using their own facilities to provide local service. Such blatantly anti-competitive arguments should be rejected. Congress mandated access to unbundled network elements as a way to overcome inherent technical barriers to immediate competition. Carriers purchasing these elements from ILECs take on the full economic burden of these facilities by paying to the ILEC the full economic cost of them. As a result, in the ILECs are fully compensated for their facilities and the carrier purchasing the unbundled elements stand in t e shoes of the ILECs with respect to the facilities. Therefore, CLECs purchasing unbundled elements should be deemed to "own" the facility for purposes of determining eligibility for niversal service support. The Joint Board should make clear that eligibility may not be de ied simply because, for technical and economic reasons, the CLEC purchases ILEC eleme its necessary to provide the core services.[11]

Moreover, provided t e ILEC complies with Section 251 of the Act, the concern raised in this question -- that a carrier will be unable to offer particular core service -- should never arise. It will always b feasible for a CLEC to provide a core service as long as the ILEC providers such a servi e itself, because the ILEC is required to make all features, functionalities of its network available to the CLECs. Therefore, it is imperative that the Joint Board and the states be vigilant in making sure that the ILEC fulfill their statutory obligation and make availab e to CLECs the necessary functionalities and services to provide core services.

5. **A number of comme nters proposed various services to be included on the list of supported services, ncluding access to directory assistance, emergency assistance, and advanced servi es. Although the delivery of these services may require a local loop, do loop osts accurately represent the actual cost of providing core services? To the ex tent that loop costs do not fully represent the costs associated with including a se vice in the definition of core services, identify and quantify other costs to be co nsidered.**

In considering the c st of providing the core services, it is important to bear in mind the relatively limited functi n of the core services. Universal service should provide all

[11] *See* CompTel Initia Comments at 16.

Americans with functional *access* to the public switched network. Thus, universal service should subsidize access to core services, but need not shoulder the cost of providing the service itself. For instance, end users should be able to reach operators for directory assistance, and should have equal access to IXCs, but the cost of providing directory assistance should not be subsidized by universal service.

If only the costs of providing access to services like directory assistance are considered, rather than the cost of directory assistance itself, then including such ancillary services within the "core" definition should not add any incremental cost to the Universal Service Fund. Access to such services is provided by the loop itself; the cost of the loop does not vary according to the services the end user comments to through use of the loop.

26. **<u>If the existing high-cost support mechanism remains in place (on either a permanent or temporary basis), what modifications, if any, are required to comply with the Telecommunications Act of 1996?</u>**

Whereas past policies permitted implicit cross-subsidies (funded predominantly by IXCs and their customers), the 1996 Act mandates that universal service mechanisms be "specific, predictable and sufficient" and that all telecommunications providers bear the burden of universal service support on an "equitable and nondiscriminatory" basis.[12] In order to meet these requirements, existing high-cost support mechanisms must be reformed.

First, and most importantly, the Joint Board must immediately eliminate all implicit subsidies, including the Carrier Common Line Charge. These sources of funding for high-cost support are incompatible with the 1996 Act. Second, the Joint Board should mandate funding mechanisms that, in addition to being explicit, distribute the responsibility to support

[12] 47 U.S.C. § 254(b)(4)-(5).

universal service among all telecommunications service providers on a competitively neutral basis. Reforming universal service mechanisms to provide explicit payments on a competitively neutral basis will eliminate the need for special rules to address price cap companies or others with alternative forms of regulation.[13]

Finally, CompTel opposes the use of a transition period for creating new universal service mechanisms. Most importantly, a transition period is not needed because all of the pieces will soon be in place for competitively neutral universal service policies to operate. The Commission now has established the rules for cost-based pricing of unbundled elements and for the resale of ILEC services.[14] Moreover, the Commission is committed to reforming LEC access charges within the next eleven months, by July 1, 1997. This universal service proceeding is the third, and final, piece to the local competition puzzle, and this proceeding must be finished by May 8, 1997. Thus, with the regulatory framework established, by July 1997, there is no reason to delay implementing universal service reform. Notwithstanding frequent ILEC claims that the sky is falling, no commenter has shown that it is not possible to implement new universal service mechanisms immediately or that the Joint Board could not define new mechanisms which are "sufficient" to support the core services (as required by the Act).

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[13] Some commenters have suggested that changes in the definitions used for the existing universal service fund are necessary. For example, USTA wants to redefine "study area" to include areas defined by wire centers (*i.e.* end offices). Bell Atlantic, on the other hand, wants statewide universal service definitions. As neither of these proposed changes is required by the 1996 Act, the Board should consider these recommendations at a later stage after the new universal service mechanism is in place.

[14] *See Commission Adopts Rules to Implement Local Competition Provision of Telecommunications Act of 1996*, CC Docket No. 96-98 (rel. August 1, 1996) (hereinafter "Interconnection Public Notice").

If, nevertheless, universal service reform is not implemented immediately, it is imperative that the Commission not grant BOC requests for in-region interLATA authority. As the Commission recognized in its Interconnection Public Notice, a system where the BOCs may participate in the interLATA market while also receiving implicit inflated subsidies from their competitors (*i.e.*, access charges that are not cost justified) is inconsistent with the public interest.[15] To the extent that attainment of full-blown competition is delayed by a transition period for universal service reform, therefore, the Commission must deny BOC in-region interLATA requests as inconsistent with the public interest. See 47 U.S.C. § 271(d)(3).

27. If the high-cost support system is kept in place for rural areas, how should it be modified to target the fund better and consistently with the Telecommunications Act of 1996?

The Joint Board's task under the 1996 Act is to ensure that there is explicit, predictable and sufficient universal service support for all high-cost areas, including rural areas. However, special subsidy programs for rural areas that do not fit into the overall scheme of a reformed Universal Service Fund would thwart Congress' goal of local competition where feasible. As CompTel has stated previously, it would not be appropriate for the Joint Board to maintain subsidies for rural areas that generate rates for rural service that are lower than the rates for comparable service in high-density, low-cost urban areas. To the extent that existing subsidies are not a reflection of the economic cost of providing service, they should be reformed, and adjusted as necessary. Thus, the reforms described above also are necessary for rural telecommunications companies.

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[15] *See* Interconnection Public Notice at 5.

28. <u>What are the potential advantages and disadvantages of basing the payments to competitive carriers on the book costs of the incumbent local exchange carrier operating in the same service area?</u>

As explained above, there are distinct advantages to using a proxy model that applies universally to all carriers. The use of book costs is improper, however. The costs of providing universal service should be calculated looking forward, not backward. These costs should reflect the cost of providing the core services using the most efficient generally available technology today. Book costs (or embedded costs) are not an appropriate basis for calculating the cost of universal service in a competitive environment.

69. <u>If a portion of the CCL charge represents a subsidy to support universal service, what is the total amount of the subsidy? Please provide supporting evidence to substantiate such estimates. Supporting evidence should indicate the cost methodology used to estimate the magnitude of the subsidy (e.g., long-run incremental, short-run incremental, fully distributed).</u>

The CCL charge should be eliminated in its entirety. Although it was originally claimed that the CCL charge was necessary to support universal service, such claims have never been substantiated. To the contrary, the evidence suggests that the CCL subsidy flows to ILEC shareholders, not to universal service. In any event, even if these revenues are needed to support universal service, the CCL charge is impermissible under the 1996 Act because, to the extent that it might support universal service (for which there is no proof), it is an implicit subsidy. Moreover, it contravenes the 1996 Act's competitive neutrality requirement. Revenue transfers from one class of carriers to another class are not competitively neutral.

More fundamentally, the question's implicit premise -- that the Joint Board can simply transfer current subsidies to a fund with a new name -- misperceives the Joint Board's statutory obligation. The Joint Board must take a "fresh look" at funding universal service.[16] The record shows that traditional sources of universal service support provide significantly more funding than is necessary to support universal service today.[17]

70. <u>If a portion of the CCL charge represents a contribution of the recovery of loop costs, please identify and discuss alternatives to the CCL charge for recovery of those costs from all interstate communications service providers (e.g. bulk billing, flat rate/per-line charge).</u>

To the extent that a portion of the CCL charge represents recovery of loop costs, the best alternative to the CCL charge is the SLC because it is paid by the customer who benefits from the loop, and it is competitively neutral. Moreover, recovering loop costs through the SLC is in the public interest because it will, on average, result in *lower* total phone bills.[18]

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[16] Report of the Committee on Commerce, Science, and Transportation on S. 652, S. Rep. No. 104-23, 104th Cong., 1st Sess. 25 (1995) ("*Senate Report*"); H.R. Rep. No. 104-204, 104th Cong., 1st Sess. 80 (1995) ("*House Report*") (The Joint Board "should evaluate universal service in the context of a local market changing from one characterized by monopoly to one of competition"); *see also* Joint Explanatory Statement of the Committee on Conference, at 16 ("*Joint Explanatory Statement*").

[17] *See* AT&T Initial Comments at 2-11; MCI Initial Comments at 15.

[18] There is considerable evidence that a rise in basic rates, if accompanied by a reduction in interexchange carrier costs, will lead to *lower* total bills for most subscribers and will not have a detrimental effect on telephone subscribership. *See Addressing Universal Service Issues*, at 94 (increasing the SLC did not affect telephone penetration levels); Parsons, *The Economic Necessity of an Increased Subscriber Line Charge (SLC) in Telecommunications*, 48 Admin. L. Rev. 227, 240-43 (1996) ("*Economic Necessity*") (increasing the SLC will lower total monthly bills); Kaserman & Mayo, *Cross-Subsidies in Telecommunications: Roadblocks on the Road to More Intelligent Telephone Pricing*, 11 Yale J. on Reg. 119, 141 (1994) (increase in local service flat rate and a decrease in long distance charges could increase subscribership).

71. **<u>Should the new universal service fund provide support for the Lifeline and Linkup programs, in order to make those subsidies technologically and competitively neutral? If so, should the amount of the lifeline subsidy be tied, as it is now, to the amount of the subscriber line charge?</u>**

There is significant support for continuation of the Lifeline and Link Up programs. Thus, these programs should be maintained and modified to meet the requirements of the 1996 Act. Specifically, the Lifeline and Link Up programs should be funded through the new, explicit universal service surcharge that is imposed equally on all carriers, not as it is funded today. The Joint Board should set the level of the subsidy at any level it deems appropriate to make service "affordable," without tying it to specific rate elements of local service. Instead, eligible consumers should receive a credit that they can use toward any telecommunications service of their choice. Finally, credits should be fully portable among service providers. Thus, a consumer's eligibility for assistance should not depend upon whether he or she selects an ILEC or a CLEC, or whether the provider uses wireline or wireless technologies to provide service to the customer.

CONCLUSION

For the foregoing reasons, and for the reasons set forth in Comptel's initial and reply comments, the Joint Board should take a critical look at existing universal service mechanisms and implement meaningful reforms promptly. The Joint Board should act with the purpose of providing all Americans with functional *access* to the public switched network at comparable rates. Existing universal service support mechanisms for high-cost areas should be recalibrated to be competitively neutral and to reflect forward-looking economic costs in both urban and rural areas. Moreover, current programs for low-income support, such as Lifeline and Link Up should be modified as necessary to enable them to make universal service a reality for he poor in a competitive telecommunications environment. If reform is implemented quickl , all Americans will benefit from an emerging and vibrant competitive telecommunicatio s market.

Respectfully submitted,

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August 2, 1996

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CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of August, 1996, a copy of the foregoing Supplemental Comments of the Competitive Telecommunications Association was served by first-class mail, postage prepaid, on the following:

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